

11/30/2000



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FAX TRANSMITTALDATE: December 6, 2000TOTAL NO. OF PAGES: 3FAX NO.: 303-312-6953TO: Sheldon MullerCOMPANY: US EPACONF. NO.: 303-312-6916FROM: William J. Duffy, Esq.EXT. 7372 LOC. 310RETURN DOCUMENT TO (Required): Ann GareyEXT. 7539 LOC. 358BCLIENT NAME/MATTER NO: ARCO/010035-0047USER ID# 1078

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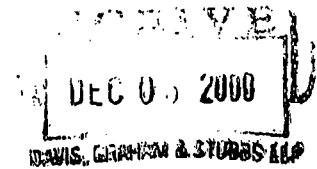
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MESSAGE



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Remediation, L.L.C.
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Telephone: (248) 344-1000
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Eric Heil
Rico Town Manager and Attorney
PO Box 189
2 Commercial St
Rico CO 81332

November 30, 2000

Dear Mr. Heil:

Thank you for your letter of November 6, 2000 regarding water quality issues. Pursuant to that letter and our subsequent discussions, ARCO Environmental Remediation LLC ("AERL") is prepared to commit \$14,000 per year for a period of two years towards a grant designed to support the analysis of water quality issues associated with the Town of Rico, Colorado. For purposes of this funding, "water quality issues" shall mean water quality, water management, mine drainage discharge, wastewater discharge, and discharge permitting issues. The creation of an appropriate entity to obtain and hold a permit for wastewater discharges is included within the scope of this funding. We understand that the grant monies provided by AERL will be supplemented by grant funding from a variety of other sources, including but not limited to the Energy Impact Assistance Fund, the Colorado Department of Local Affairs, and Delores County.

As you discussed with our attorney, Alan Au, AERL's grant funding must be directly related to water quality issues. To that end, a condition of the funding will be that you maintain and submit documentation of your hours and expenses in order that AERL can verify that the grant monies provided were spent on water quality issues, as defined above. AERL's grant funding shall not be used to fund the general duties and responsibilities of the Town Manager or the Town Attorney for the Town of Rico. At the same time, AERL acknowledges that funding is provided with the understanding that you will continue to independently represent the Town's interests and not function as AERL's representative. It is important to AERL that its contribution of funding for your position is simply that, and that it not be perceived as an attempt to influence your decision-making in your capacity as Town Manager. Any grant monies not expended for water quality issues in the first year may be carried forward into the second year. Any grant monies not expended for water quality issues by the end of the second year, however, shall be reimbursed to AERL within 90 days of the end of the funding period.

It is understood that a portion of the grant funding, approximately \$4,000, will be allocated for a water quality survey to be performed under your direction. This funding is contingent upon you obtaining matching funds on a dollar-for-dollar basis from other sources. Although field work and report preparation will be performed by a consultant reporting to you, any written reports must be circulated for public comment and all parties, including AERL, the State of Colorado Department of Public Health

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Environment ("CDPHE") and the United States Environmental Protection Agency ("EPA"), be given a meaningful opportunity to provide comments.

This letter confirms your representations to AERL that you have obtained consent from the Mayor of Rico and the Town of Rico Board of Trustees to accept this grant funding and to perform the activities set forth herein and in your November 6, 2000 letter. As we have discussed previously, your proposal, this response and AERL's intention to provide the funding shall also be fully disclosed to the CDPHE and EPA. Please be advised that AERL is committed to resolving any reasonable concerns expressed by CDPHE (or the Colorado Attorney General on its behalf) or EPA (or the United States Department of Justice on its behalf) in providing the aforementioned funding. If you and AERL cannot obtain consent of CDPHE and EPA for this funding arrangement, AERL reserves the right to withdraw its funding.

Please contact me with any questions or concerns you may have with these guidelines under which AERL commits to provide funding.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Chuck Stilwell". The signature is fluid and cursive, with a large, stylized "C" and "S".

Chuck Stilwell, P.E.

cc: Alan Au, Esq.
Tony Trumbly, Esq.
Sheldon Muller, Esq.